ABSTRACT

Promoting rural development by entrepreneurship as a strategic development intervention accelerates rural development. Entrepreneurial activity promotes economic growth and development has attracted the attention of governments especially in developing countries to embark on various programs and strategies aimed at rural areas and increasing economic activity through entrepreneurial development. This article aims to explain the motivations of the local community participation in rural owned enterprises; analyze the potential resources and capitals to support the rural entrepreneur; find the strategy development of business units in rural enterprises and analyze the strategy to foster rural entrepreneurship. This study used the documentations as comparison from articles in scientific journals and books regarding the spectrums of entrepreneurship, entrepreneur, ecosystem, data and information about entrepreneurial ecosystems for rural development. Field research had done in two rural areas: Gunung Rejo, Pesawaran and Pekon Gisting Bawah, Tangamus. Regencies of Lampung Province, Indonesia. The data sample are rural owned enterprises at Tunas Jaya and Mandiri Bersatu. Fostering entrepreneurship ecosystems within rural entrepreneurship is a dynamic study. The entrepreneurship ecosystems to sustain rural enterprises in our research need legal policy, strategic programs, business opportunity, innovation, local community participation, social capital, competitive resources, networks, partnerships, leadership figure, and success story.

Keywords: Entrepreneur, Ecosystem, Rural development, Strategic.

INTRODUCTION

Entrepreneurship is deemed to generate a powerful force economic development. Entrepreneurs are considered to inspire economic change by offering new products and services. Entrepreneurship requires an enabling environment to grow. Engagement with the business community can help shape an entrepreneurship ecosystem that is unique to local needs and circumstances, (Khattab & Al-Magli, 2017). According to Malecki (2018) that entrepreneurship is understood to take place in localities or at most regions drawing on local resources, institutions and networks.

There are some relevant studies and researches explore the spectrums of entrepreneurship ecosystems. The study from Mason & Harvey (2013) emphasized the interactions between
conditions and local/regional geographical environments. Entrepreneurial ecosystems generally emerge in locations that have specific assets, cultural attractions of the physical attributes which provide opportunities. The study from Mason & Brown (2014) about entrepreneurial ecosystems and growth oriented entrepreneurship showed that some aspects in entrepreneurial ecosystem are: a core large established businesses, money and expertise in supporting new entrepreneurial activity, the information, the culture, the availability of the business to grow capital, the presence of large firms, universities and service providers. Policy intervention is needed to take a holistic approach focusing the actors within the ecosystems. The study from Mack & Mayer (2016) found that entrepreneurship ecosystems consisted of interacting components, which foster new firms formation and associated regional entrepreneurial activities. The research conducted by Aggarwal (2018) about rural entrepreneurship development ecosystem (an emerging paradigm of rural socio economic development) showed that India measured rural entrepreneurship development by some category: policy framework, programs and institutional support. The success of rural entrepreneurship depends solely on the well-established institutional set up and hence to meet the requirements of the rapidly expanding entrepreneurship in rural small scale industries. The research conducted by Freitas & Kitson (2018) about perceptions of entrepreneurial ecosystems in remote islands and core regions showed that firms in remote islands perceived that they operated in a less favorable entrepreneurial ecosystem compared to firms in core regions although the findings showed that there were significant variations across sectors of activity. Thus the appropriate strategies for entrepreneurial action and for policy makers would vary depending on the characteristics of the ecosystem.

From the introduction regarding the entrepreneurship spectrums and orientations for rural development and the obstacles found in our field research, we formulate the study questions for this article: What are the motivations of the local community participation in rural owned enterprises? What are social capital and resources used to sustain the existence of these enterprises? Are there any specific strategies to develop the scale of the business units? and How do they foster the entrepreneurship in rural areas? While the aims of this study are: describing the motivations of the local community participation in rural owned enterprises; analyzing the potential resources and capitals to support the rural entrepreneurship; describing the strategy development of business units in rural enterprises and analyzing the strategy to foster rural entrepreneurship.

LITERATURE REVIEW

Rural Development

Rural development is often defined as development that benefits rural populations and is able to uplift on a long term and sustainable basis of the population’s standards of living and well-being. Entrepreneurial activity promotes economic growth and development has attracted the attention of governments especially in developing countries to embark on various programs and strategies aimed at developing rural areas and increasing rural economic activity through entrepreneurial development (Aggrawal, 2018).

Entrepreneurial Orientation to Rural Development
According to Schumter in Acs et al. (2014) that entrepreneurs are somehow important for economic development. The paper written by Aggarwal (2018) aimed at appreciating the need for and relevance of understanding conceptual paradigm of rural entrepreneurship development, emerging entrepreneurial ecosystem, rural entrepreneurs and the creation of micro and small village enterprises. Enterprises in rural area according to Aggarwal (2018) are operating in an arena of extreme and rapid change. However because of the recognition that entrepreneurship is one of the primary facets through which rural economic development can be achieved, empirical research on rural entrepreneurship is relatively sparse. Rural entrepreneurship stands as a vehicle to improve the quality of life for individuals, families and communities and to sustain economy and environment.

Rural Entrepreneurship Obstacles

The research conducted by Vial (2011) about the micro entrepreneurship of households in Indonesia found that lower levels of educational achievement were more likely to engage in micro entrepreneurship while higher quality formal institutions and infrastructure appear to encourage entrepreneurship. The factors influencing the existence and growth of small and micro enterprises in developing countries are vast. There are a number of characteristic associated with entrepreneurs such level of education, work experience, gender and the characteristic of the household. Firm age, sector (formal or informal) and access to finance are the firm’s characteristics. External factors are social networks, value chains, and inter firm cooperation. While the contextual factors that matter is economic, institutional and infrastructure quality. Indonesian evidence on the effect of education on entrepreneurship is sparse. Better educated household are more likely to engage with entrepreneurship than those with less education.

Scientific Definition of Entrepreneur and Entrepreneurship

According to Filion (2011) in the world encyclopedia of entrepreneurship that entrepreneur has six main components. They are: 1). Innovation, 2). Opportunity recognition, 3). Risk management, 4). Action, 5). Use of Resources and 6) Added value. He reveals that entrepreneurship is a complex phenomenon involving a set of activities with technical, human managerial and entrepreneurial characteristics, the performance of which requires a diverse set of skills. There are also some motivations of human behavior in organization: 1). Material motivation; 2). Purposive motivation; 3). Solidary motivation; and 4). Status motivation (Murta et al, 2018).

Entrepreneurial Ecosystem

The Entrepreneurship Ecosystem, from the study conducted by Alvedalen & Boschma (2017) aims to explain entrepreneurship from a system or ecosystem perspective. They proposed to integrated institutions more deeply in the literature. The entrepreneurship literature has focus on the role of institutions and culture like social capital. They proposed to include the dynamic perspective on institutions that contains some elements: 1). Focus on institutional change; 2). Focus on institutional entrepreneurship at micro level that requires understanding of which
agents are responsible for institutional change, why agents are more successful in creating and 
adapting institutions and compared to other regions or whether there are specific conditions in 
regions that provide more opportunities for strategic action and institutional entrepreneurship; 3). 
Emphasis on institutions that question and block institutional change and prevent regions to turn 
into dynamic entrepreneurial ecosystem.

As defined by Prahalad in Davari & Najmabadi (2018) the entrepreneurial ecosystem may 
empower individuals, businesses and communities through a combination of factors that increase 
the economic performance and welfare. It provides a diverse of interdependent factors in a 
geographic region that make profit and shape the economic performance. The ecosystem consists 
of a set of cultural perspectives, social networks, financial supports, universities and active 
economic policies which shape a supportive environment for the activity. Strong 
entrepreneurship ecosystem according to Isenberg (2010, 2011) are: public leader, governments, 
culture at large, success stories, enough knowledgeable people, capital sources, nonprofits and 
industry associations, educational institutions, infrastructure, geographic locations, formal and 
informal groups, venture oriented professionals, and potential customers.

Rural Entrepreneurship Perspectives

Rural Entrepreneurship is fundamentally about using a market driven business model to 
address key socio economic issues pertaining to the rural economy under consideration. 
Entrepreneurship emerging in rural areas is called rural entrepreneurship. Rural entrepreneurship 
also conjures different meanings to different people. Without going into semantics, rural 
entrepreneurship can simply be defined as entrepreneurship in rural areas. In other words, 
establishing industrial units in rural areas refers to rural entrepreneurship. It represents a complex 
heterogeneous social structure with a wide variability, (Aggrawal, 2018).

Fostering Entrepreneurial Ecosystem

Pratono & Sutanti (2016) explore the dynamic ecosystem of social enterprises in Indonesia 
specifically legal framework and policy regarding social enterprises with the case studies from 
some organizations with the roles in establishing social enterprises. Indonesia is considered a low 
middle income country. The country’s competitiveness was ranked 34th worldwide in 2015. 
Small and Medium Enterprises (SMEs) play a pivotal role in Indonesia, the largest country in the 
region of Southeast Asia, as more than 54% of its private enterprises were small scale businesses 
that operate in the informal sector. There is a great opportunity for the Indonesian development 
agency to prioritize small businesses in the agricultural, manufacturing and service sectors.

Every region has some level of entrepreneurial activity and a growing number have an 
entrepreneurial ecosystem. It is a phenomenon studied as an engine for economic and community 
development, (Roundy et al., 2017), while Spigel (2017) suggests that entrepreneurial 
ecosystems are dynamic and heterogeneous based on unique needs. Stam & Spigel (2016) review 
the systemic conditions that connect the functional attributes of entrepreneurial ecosystems 
(including framework and systemic conditions) with entrepreneurial outputs and welfare 
outcomes. The framework conditions consist of the social (formal and informal institutions) and 
physical conditions enabling or constraining human interaction. Systemic conditions are the heart
of the ecosystem and include networks of entrepreneurs, leadership, finance, talent, knowledge, and support services. Stangler & Bell-Masterson (2015) suggested the ecosystem fluidity were: population flux, labor market, high growth firms number and density. In other hands, Taušl (2016) studies local individual on the areas of mentoring, providing support, networking, education and training to support flourishing entrepreneurial ecosystem and Thai & Turkina (2014) recommend promoting cooperation and networking to encourage social capital.

**RESEARCH METHOD**

This research used the documentations from articles in scientific journals and books about the spectrums of entrepreneurship, entrepreneur, ecosystem, data and information from the rural and the relevant researches and studies on entrepreneurial ecosystems for rural development. We use the relevant researches as the experiment and compare the unique from our research. This research is a qualitative research. Qualitative research is a way of learning about social reality. Qualitative research approaches can be used across the discipline to study a wide array of topics (Leavy, 2014). According to M. Dinar et al. in Cash et al. (2016) that case studies used to collect data from large complex projects and cover long period of time. One can analyze an ongoing or past project documentations and interviews, etc. This can give a very comprehensive view from the entire system. Case studies are well suited to collecting and disseminating experimental knowledge. We did the interviews with the local community participated in the rural owned enterprises and the local government where the enterprises located.

Studies vary according to the number of cases we examine and the depth intensity of investigations into features of the cases. The concept of case is central but can be complex. The case can be individuals, groups, organizations, movements, events or geographic units, (Neuman, 2014). We describe the concepts of entrepreneur, entrepreneurship, entrepreneurial ecosystems and rural entrepreneurship perspective. We took the data from two rural owned enterprises as comparison.

Our research conducted in 2017 and 2018 on Tunas Jaya and Mandiri Bersatu as Rural Owned Enterprises that win the best rural award in 2017 for the first and second ranks in Lampung Province held by Provincial Government. Both in Pesawaran and Tanggamus Regencies, Lampung Province, Indonesia, showed the information about the obstacles: lack of facilities and infrastructure as the access to the operation unit, lack of local government attention for financial support, program, and training to support the knowledge of community in managing their enterprises, lack of socialization to local community on the existence of the rural enterprise’s products and services, lack of partnerships, and low level used of social media to promote the businesses (Research Documentary in 2017- 2018).

**RESULT AND DISCUSSION**

**Motivations of Local Community**

Our research interview to Pekon Gisting Bawah and Gunung Rejo community in March and November 2017 revealed that the motivation from local community participating to manage the rural enterprise were the needs for internal enterprises based on the decision of local
government and rural enterprise by rural deliberation forum. It was also useful to discuss the strategic things of business plans, processes and opportunity to fulfill the community needs as the main customers. The internal motivation of “gotong royong” to develop the area was strong. The culture of “gotong royong” was still existed among the community. While the population of community in Gunung Rejo was dominated by 63.3% elementary level education meanwhile the community who participated in managing the rural enterprise was dominated by 80% of senior high education level, (Gunung Rejo Profile, 2017). This phenomenon existed in Gunung Rejo as the research conducted by Vial (2011) about the micro entrepreneurship of households in Indonesian evidence on the effect of education on entrepreneurship is sparse. Better educated household are more likely to engage with entrepreneurship than those with less education. It means that the level education of the participant’s community who manage the rural enterprise is higher than the local community.

Based on research documentation from Rural Profile, we found 11 areas in Way Ratai District of Pesawaran Regency with 11 enterprises. The enterprises in this district managed by local government together with the community or only managed by the community. Our research was focused in Gunung Rejo as one of the rural area, because of the best rural achievement in 2017 of Provincial Level with 5 business units. The units were agriculture products (vegetables), herbal, ecotourism spot (rural waterfall), merchants, water supply, and banking partnership service with Bank Rakyat Indonesia (BRIlink).

The data and information from Gunung Rejo describe some components of entrepreneurship: the opportunity; action; and resources while local community has strong solidary motivation also purposive motivation in being the participants to manage Tunas Jaya. According to Obrechate (2011) from The Encyclopedia of Entrepreneurship emphasized that entrepreneurship behavior is deep rooted in local cultures and traditions. It reveals that spirit of solidarity or “gotong royong” is still existed in Gunung Rejo. The rural enterprise (Tunas Jaya) as rural business institution is the part of local institutions in the development of an “entrepreneurial culture”. The role of this rural business institution promotes the small business or units sector. Engagement with the business community can help shape an entrepreneurship ecosystem that is unique to local needs and circumstances, (Khattab & Al-Magli, 2017).

Social Capital and Resources of the Rural Areas

Gotong Royong is existed in Gunung Rejo. The culture is as a part of community social life and being the social capital in rural area. The partnership and cooperation with the financial institution and government agencies are also categorized as the capital to sustain the existence of rural enterprise as emphasized by Mason & Harvey (2013) that the interactions between conditions and local/regional geographical environments generally emerged in locations that have specific assets, cultural attractions of the physical attributes which provide opportunities to create entrepreneurial ecosystem. Meanwhile, Mason & Brown (2014) found that culture, the availability of the business to grow capital, the presence of large firms and service providers support the entrepreneurial ecosystems. Entrepreneurship is understood to take place in localities or at most regions drawing on local resources, institutions and networks, (Malecki, 2018).

The resources of Pekon Gisting Bawah from research document (2017) showed that plantation and rice field as the most functional areas. The population was dominated by male and
productive age of 18-59 years old. The education levels were dominated by senior high and elementary graduations. The occupations were dominated by farmhouse labors, private sector, civil servant, farmer and merchant. They had legal draft from Tanggamus Regency Number 30/2016 and Pekon Gisting Bawah Regulation Number 1/2015 to establish and support the rural enterprise (Mandiri Bersatu). There were infrastructure and future business opportunity in Pekon Gisting Bawah. The rural area had the water and irrigation sources, the number of small and micro enterprises were significant with home industries, banks and financial institutions. There were some business partners cooperate with Mandiri Bersatu. There were Bank Nasional Indonesia (BNI), Badan Urusan Logistik (Perum Bulog), Danone and Unilever. The financial support was from the community of Pekon Gisting Bawah contribution and Danone business venture. There was no financial support from local government. The business units of Mandiri Bersatu consisted of water supply, waste bank, home industry, and ecotourism spot. Mandiri Bersatu shows positive aspects of the ecosystem, a plethora of opportunities to explore, availability of ample venture funding, and a young educated workforce. The environment needs to focus on value creation as opposed to valuation and educate its young entrepreneurs (Jha, 2018).

It is not easy for local community especially the participants who manage the rural business to be educated and create the innovation. It needs the collaboration and networks from related stakeholders. The components to create the entrepreneurial ecosystems are also from the public figure or leader, and program. The description about the Head of Gunung Rejo is the example of the role of a leader to promote the indigenous product to attract potential market and create strong entrepreneurship as stated by to Isenberg (2010, 2011) that the components to create strong entrepreneurship were: public leader, governments, culture at large, success stories, enough knowledgeable people, capital sources, nonprofits and industry associations, educational institutions, infrastructure, geographic locations, formal and informal groups, venture oriented professionals, and potential customers. The success story about the quality of leadership style of Head of Gunung Rejo was documented in Local Newspaper (Radar LAMSEL, 25th January 2017). Lampost Pesawaran in 2017 as the printed media revealed the information of future business units of Tunas Jaya.

Strategy to Develop the Rural Business Enterprises Units

The data from research documentation (2017) in Gunung Rejo found that The Local Government Office of Rural Economic Development in Pesawaran Regency trained supervised and monitored the participant’s community to successfully manage the enterprises to enrich their knowledge in managerial activity. We also found the information about financial support program from Ministry of Cooperation of Republic Indonesia to develop business units for rural enterprise. Rural business activities impacted the Rural Income almost 200% from the units of business revenue. The revenue from business units were managed to operate the activities and gave the benefits to the participants. There were also the partnership with BRI Link and Local Government Office of Market to support the business units. From Taušl (2016) study, we analyze that mentoring, providing support, networking, education and training support flourishing entrepreneurial ecosystem and promote cooperation and networking to encourage social capital, (Thai & Turkina, 2014). Reflection from the study from Parwez (2017) that
community affiliation combined with requisite entrepreneurial skills is essential for the form of enterprises to be successful, reflect to local needs, strengthening the capacities of individual and groups in the community. The expansion of entrepreneurial activities is an important tactic for the overall strategy of economic development. While in Pekon Gisting Bawah there were the venture from the potential firm to expand the business scale. Danone is a French multinational food company which products built on four business lines: Essential Diary and Plants-Based Products, Early Life Nutrition, Waters, and Medical Nutrition. Another company is Unilever is a multinational company headquartered in Rotterdam, the Netherlands (under the name Unilever N.V.) and London, United Kingdom (under the name Unilever plc.). Unilever produces food, drinks, cleaners and body care. Unilever is the third largest producer of household goods in the world. From the information in research documentation in Mandiri Bersatu (2017), showed there was an opportunity to expand business scale of unit in rural enterprise by the venture and network with these world companies.

Fostering the Entrepreneurial Ecosystems in Rural Areas

In conceptual framework about entrepreneurial ecosystem, Pratono & Sutanti (2016) explore the dynamic ecosystem of social enterprises in Indonesia specifically legal framework and policy regarding social enterprises with the case studies from some organizations with the roles in establishing social enterprises. We found Mandiri Bersatu located in Pekon Gisting Bawah had the legal policy and framework from Government Regency and Pekon to foster the existence of the rural enterprise. The contrary happened in Tunas Jaya that is located in Gunung Rejo, there was no specific legal policy to sustain the business process for rural enterprise. The business prioritizes in Mandiri Bersatu and Tunas Jaya units are: agricultural, manufacturing and service sectors. These business orientations sustain the existence of rural enterprises as the competitive advantage. According to Purbasari, et al (2019) that company must focus on their unique and sustained resources as the competitive advantage (CA) to sustain in globalization era. The SME development and entrepreneurship should be concentrated on creativity making use of surrounding environment.

Qian et al. (2013) address the central role of human capital in fostering entrepreneurial activity. It is not only a major determinant of knowledge production through which knowledge based entrepreneurial opportunities are created, but also a major determinant of entrepreneurial absorptive capacity that is critical to the success of entrepreneurial actions. Understanding the geographic pattern of human capital contributes to a comprehensive investigation of the geography of the entrepreneurship. The data from Pekon Gisting Bawah and Gunung Rejo show the conditions of populations, the quality, the quantity, the compositions that are unique. Pekon Gisting Bawah had better proportions of productive age community, better level of educations and more number of populations. The evidence tells that every region has some level of entrepreneurial activity and a growing number have an entrepreneurial ecosystem. It is a phenomenon studied as an engine for economic and community development, (Roundy et al., 2017).

Stam & Spigel (2016) review the systemic conditions that connect the functional attributes of entrepreneurial ecosystems. Systemic conditions are the heart of the ecosystem and include networks of entrepreneurs, leadership, finance, talent, knowledge, and support services. Based on
the conceptual framework, we analyze that Gunung Rejo has the figure of leadership, support
program from regency government to enrich the managerial knowledge to manage Tunas Jaya as
rural business institution and funding program from Ministry of Cooperation of Republic
Indonesia. While in Pekon Gisting Bawah, we could not find the strong leadership from rural
apparatus but there were more networks corporation from world companies (Danone and
Unilever). It is because Pekon Gisting Bawah has more density, population flux and labor market
create the fluidity of ecosystem, (Stangler & Bell-Masterson, 2015).

CONCLUSION

Fostering entrepreneurship ecosystems within rural entrepreneurship is a dynamic study.
The entrepreneurship ecosystems to sustain rural enterprises in our research need legal policy,
strategic programs, business opportunity, innovation, local community participation, social
capital, competitive resources, networks, partnerships, leadership figure, and success story.
These are keys of strategic development intervention to rural development.

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